

AN ACT concerning education.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Illinois Prepaid Tuition Act is amended by changing Sections 5 and 45 as follows:

(110 ILCS 979/5)

Sec. 5. Purpose. The General Assembly finds and declares that the general welfare and security of the State are enhanced by access to higher education for all residents of the State who desire that education and who demonstrate the qualifications necessary to pursue that education. Furthermore, it is desirable that residents of the State who seek to pursue higher education be able to choose attendance at the higher education institution that offers programs and services most suitable to their needs. Accordingly, endeavors that serve the higher education needs of the people of the State represent an essential function of State government.

During the past decade, students have been paying more and borrowing more to finance the increasing cost of higher education at Illinois colleges and universities as well as at similar institutions nationwide. Federal and state governments' capacity to fund college scholarships and grants cannot fully meet the current and future demand for higher

education nor is it reasonable to expect that paying for college is solely a governmental responsibility. It is -- and has always been -- a shared responsibility among the student, the family, State government, and the federal government. Consequently, the intent of this Act is to both encourage and better enable Illinois families to help themselves finance the cost of higher education, specifically through a program that provides Illinois families with a method of State tax-free and federally tax-exempt ~~tax-deferred~~ savings for higher education ~~college tuition~~.

(Source: P.A. 90-546, eff. 12-1-97.)

(110 ILCS 979/45)

Sec. 45. Illinois prepaid tuition contracts.

(a) The Commission may enter into an Illinois prepaid tuition contract with a purchaser under which the Commission contracts on behalf of the State to pay full tuition and mandatory fees at an Illinois public university or Illinois community college for a qualified beneficiary to attend the MAP-eligible institution to which the qualified beneficiary is admitted. Each contract shall contain terms, conditions, and provisions that the Commission determines to be necessary for ensuring the educational objectives and sustainable financial viability of the Illinois prepaid tuition program.

(b) Each contract shall have one designated purchaser and one designated qualified beneficiary. Unless otherwise

specified in the contract, the purchaser owns the contract and retains any tax liability for its assets only until the first distribution of benefits. ~~Once a partial benefit of the contract has been disbursed, any tax liability attributable to the contract and its assets becomes a tax liability of the qualified beneficiary, unless otherwise specified in the contract.~~ Contracts shall be purchased in units of 15 credit hours at any MAP-eligible institution.

(c) Without exception, benefits may be received by a qualified beneficiary of an Illinois prepaid tuition contract no earlier than 3 years from the date the contract is purchased.

(d) A prepaid tuition contract shall contain, but is not limited to, provisions for (i) refunds or withdrawals in certain circumstances, with or without interest or penalties; (ii) conversion of the contract at the time of distribution from accrued prepayment value at one type of MAP-eligible institution to the accrued prepayment value at a different type of MAP-eligible institution; (iii) portability of the accrued value of the prepayment value for use at an out-of-state higher education institution; (iv) transferability of the contract benefits within the qualified beneficiary's immediate family; and (v) a specified benefit period during which the contract may be redeemed.

(e) Each Illinois prepaid tuition contract also shall contain, at minimum, all of the following:

(1) The amount of payment or payments and the number of payments required from a purchaser on behalf of a qualified beneficiary.

(2) The terms and conditions under which purchasers shall remit payments, including, but not limited to, the date or dates upon which each payment shall be due.

(3) Provisions for late payment charges and for default.

(4) Provisions for penalty fees payable incident to an authorized withdrawal.

(5) The name, date of birth, and social security number of the qualified beneficiary on whose behalf the contract is drawn and the terms and conditions under which the contract may be transferred to another qualified beneficiary.

(6) The name and social security number of any person who may terminate the contract, together with terms that specify whether the contract may be terminated by the purchaser, the qualified beneficiary, a specific designated person, or any combination of these persons.

(7) The terms and conditions under which a contract may be terminated, the name and social security number of the person entitled to any refund due as a result of the termination of the contract pursuant to those terms and conditions, and the method for determining the amount of a refund.

(8) The time limitations, if any, within which the qualified beneficiary must claim his or her benefits through the program.

(9) Other terms and conditions determined by the Commission to be appropriate.

(f) In addition to the contract provisions set forth in subsection (e), each Illinois prepaid tuition contract shall include:

(1) The number of credit hours contracted by the purchaser.

(2) The type of MAP-eligible institution and the prepaid tuition plan toward which the credit hours shall be applied.

(3) The explicit contractual obligation of the Commission to the qualified beneficiary to provide a specific number of credit hours of undergraduate instruction at a MAP-eligible institution, not to exceed the maximum number of credit hours required for the conference of a degree that corresponds to the plan purchased on behalf of the qualified beneficiary.

(g) The Commission shall indicate by rule the conditions under which refunds are payable to a contract purchaser. Generally, no refund shall exceed the amount paid into the Illinois Prepaid Tuition Trust Fund by the purchaser. In the event that a contract is converted from a Public University Plan described in subsection (j) of this Section to a Community

College Plan described in subsection (k) of this Section, the refund amount shall be reduced by the amount transferred to the Illinois community college on behalf of the qualified beneficiary. Except where the Commission may otherwise rule, refunds may exceed the amount paid into the Illinois Prepaid Tuition Trust Fund only under the following circumstances:

(1) If the qualified beneficiary is awarded a grant or scholarship at a public institution of higher education, the terms of which duplicate the benefits included in the Illinois prepaid tuition contract, then moneys paid for the purchase of the contract shall be returned to the purchaser, upon request, in semester installments that coincide with the matriculation by the qualified beneficiary, in an amount equal to the current cost of tuition and mandatory fees at the MAP-eligible institution where the qualified beneficiary is enrolled.

(1.5) If the qualified beneficiary is awarded a grant or scholarship while enrolled at either a MAP-eligible nonpublic institution of higher education or an eligible public or private out-of-state higher education institution, the terms of which duplicate the benefits included in the Illinois prepaid tuition contract, then money paid for the purchase of the contract shall be returned to the purchaser, upon request, in semester installments that coincide with the matriculation by the qualified beneficiary. The amount paid shall not exceed the

current average mean-weighted credit hour value of the registration fees purchased under the contract.

(2) In the event of the death or total disability of the qualified beneficiary, moneys paid for the purchase of the Illinois prepaid tuition contract shall be returned to the purchaser together with all accrued earnings.

(3) If an Illinois prepaid tuition contract is converted from a Public University Plan to a Community College Plan, then the amount refunded shall be the value of the original Illinois prepaid tuition contract minus the value of the contract after conversion.

No refund shall be authorized under an Illinois prepaid tuition contract for any semester partially attended but not completed.

The Commission, by rule, shall set forth specific procedures for making contract payments in conjunction with grants and scholarships awarded to contract beneficiaries.

Moneys paid into or out of the Illinois Prepaid Tuition Trust Fund by or on behalf of the purchaser or the qualified beneficiary of an Illinois prepaid tuition contract are exempt from all claims of creditors of the purchaser or beneficiary, so long as the contract has not been terminated.

The State or any State agency, county, municipality, or other political subdivision, by contract or collective bargaining agreement, may agree with any employee to remit payments toward the purchase of Illinois prepaid tuition

contracts through payroll deductions made by the appropriate officer or officers of the entity making the payments. Such payments shall be held and administered in accordance with this Act.

(h) Nothing in this Act shall be construed as a promise or guarantee that a qualified beneficiary will be admitted to a MAP-eligible institution or to a particular MAP-eligible institution, will be allowed to continue enrollment at a MAP-eligible institution after admission, or will be graduated from a MAP-eligible institution.

(i) The Commission shall develop and make prepaid tuition contracts available under a minimum of at least 2 independent plans to be known as the Public University Plan and the Community College Plan.

Contracts shall be purchased in units of 15 credit hours at either an Illinois public university or an Illinois community college. The minimum purchase amount per qualified beneficiary shall be one unit or 15 credit hours. The maximum purchase amount shall be 9 units (or 135 credit hours) for the Public University Plan and 4 units (or 60 credit hours) for the Community College Plan.

(j) Public University Plan. Through the Public University Plan, the Illinois prepaid tuition contract shall provide prepaid registration fees, which include full tuition costs as well as mandatory fees, for a specified number of undergraduate credit hours, not to exceed the maximum number of credit hours

required for the conference of a baccalaureate degree. In determining the cost of participation in the Public University Plan, the Commission shall reference the combined mean-weighted current registration fees from all Illinois public universities.

In the event that a qualified beneficiary for whatever reason chooses to attend an Illinois community college, the qualified beneficiary may convert the average number of credit hours required for the conference of an associate degree from the Public University Plan to the Community College Plan and may retain the remaining Public University Plan credit hours or may request a refund for prepaid credit hours in excess of those required for conference of an associate degree. In determining the amount of any refund, the Commission also shall recognize the current relative credit hour cost of the 2 plans when making any conversion.

Qualified beneficiaries shall bear the cost of any laboratory or other non-mandatory fees associated with enrollment in specific courses. Qualified beneficiaries who are not Illinois residents shall bear the difference in cost between in-state registration fees guaranteed by the prepaid tuition contract and tuition and other charges assessed upon out-of-state students by the MAP-eligible institution.

(k) Community College Plan. Through the Community College Plan, the Illinois prepaid tuition contract shall provide prepaid registration fees, which include full tuition costs as

well as mandatory fees, for a specified number of undergraduate credit hours, not to exceed the maximum number of credit hours required for the conference of an associate degree. In determining the cost of participation in the Community College Plan, the Commission shall reference the combined mean-weighted current registration fees from all Illinois community colleges.

In the event that a qualified beneficiary for whatever reason chooses to attend an Illinois public university, the qualified beneficiary's prepaid tuition contract shall be converted for use at that Illinois public university by referencing the current average mean-weighted credit hour value of registration fees at Illinois community colleges relative to the corresponding value of registration fees at Illinois public universities.

Qualified beneficiaries shall bear the cost of any laboratory or other non-mandatory fees associated with enrollment in specific courses. Qualified beneficiaries who are not Illinois residents shall bear the difference in cost between in-state registration fees guaranteed by the prepaid tuition contract and tuition and other charges assessed upon out-of-state students by the MAP-eligible institution.

(1) A qualified beneficiary may apply the benefits of any Illinois prepaid tuition contract toward a nonpublic institution of higher education. In the event that a qualified beneficiary for whatever reason chooses to attend a nonpublic

institution of higher education, the qualified beneficiary's prepaid tuition contract shall be converted for use at that nonpublic institution of higher education by referencing the current average mean-weighted credit hour value of registration fees purchased under the contract. The Commission shall transfer, or cause to have transferred, this amount, less a transfer fee, to the nonpublic institution on behalf of the beneficiary. In the event that the cost of registration charged to the beneficiary at the nonpublic institution of higher education is less than the aggregate value of the Illinois prepaid tuition contract, any remaining amount shall be transferred in subsequent semesters until the transfer value is fully depleted.

(m) A qualified beneficiary may apply the benefits of any Illinois prepaid tuition contract toward an eligible out-of-state college or university. Institutional eligibility for out-of-state colleges and universities shall be determined by the Commission, but in making those determinations the Commission shall recognize that the benefits of an Illinois prepaid tuition contract may not be used at any postsecondary educational institution that is both operated for-profit and located outside of Illinois. In the event that a qualified beneficiary for whatever reason chooses to attend an eligible out-of-state college or university, the qualified beneficiary's prepaid tuition contract shall be converted for use at that college or university by referencing the current

average mean-weighted credit hour value of registration fees purchased under the contract. The Commission shall transfer, or cause to have transferred, this amount, less a transfer fee, to the college or university on behalf of the beneficiary. In the event that the cost of registration charged to the beneficiary at the eligible out-of-state college or university is less than the aggregate value of the Illinois prepaid tuition contract, any remaining amount shall be transferred in subsequent semesters until the transfer value is fully depleted.

(n) Illinois prepaid tuition contracts may be purchased either by lump sum or by installments. No penalty shall be assessed for early payment of installment contracts.

(o) The Commission shall annually adjust the price of new contracts, in accordance with the annual changes in registration fees at Illinois public universities and community colleges.

(Source: P.A. 92-165, eff. 7-26-01; 93-56, eff. 7-1-03.)

Section 99. Effective date. This Act takes effect upon becoming law.